

Economic Impact Statement
LSA Document #10-415

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses**Description of Rule**

The Department of Child Services ("DCS" or "department") licenses all child-placing agencies, child-caring institutions, emergency shelter child-caring institutions, private secure facilities, group homes, and emergency shelter group homes required to be licensed in the state of Indiana. This rule amends qualifications of employees and amends child to staff ratios of the abovementioned entities licensed under [IC 31-27-3](#), [IC 31-27-5](#), and [IC 31-27-6](#), revising the current rules codified at [465 IAC 2-2](#), [465 IAC 2-9](#), [465 IAC 2-10](#), [465 IAC 2-11](#), [465 IAC 2-12](#), and [465 IAC 2-13](#).

Economic Impact on Small Businesses**1. Estimated number of small businesses affected by the proposed rule.**

[IC 4-22-2.1-4](#), incorporating by reference [IC 5-28-2-6](#), defines a small business as a business entity that satisfies the following requirements:

- (1) On at least fifty percent (50%) of the working days of the business entity occurring during the preceding calendar year, the business entity employed not more than one hundred fifty (150) employees.
- (2) The majority of the employees of the business entity work in Indiana.

The term "business entity" is not defined in the statute.

As of July 31, 2010, there were approximately 69 child-caring institutions, 86 group homes, 81 child-placing agencies, and 36 private secure facilities that DCS licenses. DCS is uncertain how many would be classified as small businesses. Most, if not all, of these licensees could be considered business entities. However, several agencies hold licenses for and operate more than one category of facility. Also, some licensed child-placing agencies specialize in adoptions, do not provide foster care services for DCS children, and would not be affected by the rule amendment that applies to child-placing agencies. A reasonable estimate of the total number of small business entities that could be affected by the proposed rule is 100 residential services providers and 50 child-placing agencies.

2. Estimate of the average annual reporting, record keeping, and other administrative costs that small businesses will incur to comply with the proposed rule.

The proposed rule does not change current procedures to submit to the department claims for monthly payments, or impose any additional requirements that would increase costs of reporting, record keeping, or other administrative functions.

3. Estimate of the total annual economic impact that compliance with the proposed rule will have on small businesses subject to the rule.

The new qualifications and staff to child ratios will not have an economic impact on small businesses because any licensed entity that qualifies as a small business is already required by the department to submit annual cost reports that have any costs associated with staff qualifications and staffing ratios listed in the reports. The cost reports will become the basis for the calculation of rates that the department will pay for children placed with the licensed entity. Moreover, the cost reports that the department has most recently received indicate that all or nearly all the providers are already in compliance with the proposed new licensing standards. Any additional cost that a particular entity may incur for employment of additional staff required by the new standards will be reimbursed through adjustment of the DCS payment rate based on a new cost report that reflects that additional cost, resulting in no additional net cost borne by the entity.

4. Statement justifying any requirement or cost that is imposed on small businesses by the rule; and not expressly required by the statute authorizing the agency to adopt the rule; or any other state or federal law.

Linking rates with costs through a cost-based rate setting process will ensure that necessary and appropriate services are being provided by our providers and that they are fairly compensated for the reasonable and prudent costs of providing those services. In effect, such an approach will protect providers, the department, and the children it serves by ensuring that rates provide the appropriate funding to providers to cover the necessary and prudent costs of caring for the children that the department serves. The new staff qualifications and ratios are needed to ensure providers are being compensated for qualified staff and for appropriate staffing ratios.

5. Regulatory flexibility analysis.**(A) Other factors considered, including less stringent compliance or reporting requirements,**

schedules or deadlines for compliance, performance standards instead of design or operational standards.

The proposed changes are in line with what is set out by the Child Welfare League of America and are needed to ensure children are being cared for by qualified, competent staff and that enough staff are present to ensure children are safe and being adequately cared for.

(B) Consolidation or simplification of compliance or reporting requirements for small businesses.

The rule is as simple as it can be. The updated requirements are necessary to ensure that appropriate providers are licensed.

(C) Exemption of small businesses from part or all of the requirements or costs imposed by the rule.

The state needs a uniform system to license providers. By statute, the child-caring institutions, private secure facilities, child-placing agencies, and group homes are required to be licensed and subject to monitoring and inspection of their activities by the department. The department cannot have different requirements based on the size of the provider.

Conclusion

The changes proposed will have insignificant financial or economic effect on the operations of small businesses in Indiana.

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